

Community Placement Plan Multi-Family Housing

This Appendix provides specific guidance and procedures related to the Regional Center (RC) submission of a Community Placement Plan (CPP) Multi-Family Housing Proposal.

The RC must submit a Multi-Family Housing Proposal to the Department of Developmental Services (Department or DDS) when a housing developer organization (HDO) agrees to set aside at least one unit that will be restricted for occupancy by consumers in a multi-family housing project (project). A project is defined as a structure or set of structures with common financing, ownership, and management and which collectively contains five (5) or more units. For the purpose of these Housing Guidelines, a unit includes, but is not limited to, a studio, apartment, townhouse, duplex, etc., but does not include a bedroom within a unit.

The Multi-Family Housing Proposal describes how the RC plans to use Department-approved CPP funds to increase affordable and accessible “set-aside” units as part of a project that are restricted in use for eligible consumers. The RC must contract with the ownership entity to create these deeply subsidized units.

To ensure community integration, not more than twenty-five percent (25%) of the total units in a project can have occupancy restrictions for individuals with developmental disabilities. On a case-by-case basis, the Department may consider a different percentage related to community integration.

Prior to developing a project, the RC must receive approval by the Department following submission of: 1) its CPP; 2) a Multi-Family Housing Proposal; and 3) the HDO’s multi-family funding application and due diligence items. The Department and the RC will engage in a collaborative process to ensure that the RC informs the Department of the nature, scope, and feasibility of the project. If the RC hires counsel to facilitate the transaction, the RC must ensure that the hired counsel is charged with accomplishing the multi-family housing transaction to meet the requirements of these Housing Guidelines and as otherwise specified by the Department.

Multi-Family Housing Proposal Requirements

The RC must submit a Multi-Family Housing Proposal within 90 days of receiving the Department’s approval of its CPP. The Multi-Family Housing Proposal must:

- Describe the proposed project including sufficient detail of the intended use of the requested funds, the number of units restricted to consumers, the proposed HDO, developer and borrower, the proposed management agent and service provider(s), the proposed timeline for development, the proposed location of the project;

- Include a commitment letter from the proposed HDO/developer agreeing to develop a project for consumers and using CPP funds consistent with these Housing Guidelines and this Appendix;
- Identify all sources and uses of all funds, including a commitment letter from each source;
- Demonstrate the developer's experience in developing projects; the developer must have experience in developing at least one (1) project that offers supportive services to individuals with special needs, i.e., those with disabilities or chronic health conditions;
- Identify the proposed ownership entity including the organizational structure of all of its affiliate; must also identify the organization with ultimate responsibility; (additional organizational documents will be required to be submitted at the time of application submission);
- Describe the process that will be implemented by the RC to ensure that the units are occupied by consumers;
- Invite the Department to regular meeting updates about the project, including but not limited to, conference calls, meetings, document distribution, changes or modifications to the proposed project. The Department may participate in meetings with other parties (i.e., lenders) involved in the project.

Multi-Family Funding Application Requirements

Once the Department approves a Multi-Family Housing proposal, the Department will issue a Letter of Conditional Approval authorizing the RC to identify a property that will be developed. Subsequently, but not less than 120 days prior to the close of escrow, the RC must submit the HDO's funding application to the Department for review. It is at this time that the RC must submit to the Department the following due diligence items for Construction Financing or for Permanent Financing:

Due Diligence Items

Construction Financing

- Transaction Summary – this is a summary of the deal. It must identify ultimate borrower entity, management agent, service provider, all contact information connected with this transaction, all funding sources and uses, funding amount and lien position, unit mix, rent and subsidy, operating budget, including reserve deposits, 15-year and 30-year operating pro forma;
- Current Preliminary Title Report with hyperlinked documents;
- Appraisal Report – must show “as is value” of property being purchased; appraisal must be completed by State of California licensed appraiser;

- Purchase Agreement/Property Acquisition Agreement – property acquisition cost cannot exceed the appraised value of the property. ;
- Organizational Documents – proposed borrower, Sponsor, HDO organizational chart and signature block in word; organizational structure is limited to no more than three levels from borrower entity to responsible entity (HDO);
- Local jurisdiction legislative body notification of proposed loan application for the project;
- Physical Needs Assessment/Replacement Reserve Analysis – a physical needs assessment/replacement reserve analysis is only required for acquisition/rehabilitation projects;
- Relocation Plan (if applicable) – a Relocation Plan Implementation Certificate must be signed by the borrower;
- Phase I - Environmental Assessment;
- Rental Subsidy Contracts – a rental subsidy can be an operating subsidy, project-based subsidy such as from the federal Department of Housing and Urban Development (HUD) Section 811, a housing choice voucher, etc.;
- Management Plan, Management Plan Checklist, and Management Agreement
- Property and Liability Insurance.

Permanent Financing

- Transaction Summary – any updates, changes, or modifications to the transaction summary described above;
- Bond Financing Term Sheet (if applicable - for permanent financing only);
- Lease Agreement.

DDS Loan Closing Requirements

- The Department requires a minimum of 90 days after submission of all due diligence documents including the final signed Transaction Summary for loan closing. Failure to do so will result in an unnecessary delay to the loan closing date;
- All lender documents must be submitted to the Department for review at least 90 days prior to the targeted close of escrow;
- The Department must be invited to all conference calls, meetings, and be included in distributed email(s) related to the proposed project;
- The Department will only subordinate the DDS Deed of Trust and DDS Promissory Note to the senior lender. However, with the Department's prior written approval, the Department may subordinate these documents to lenders that commit state or federal funds to the project [e.g., HUD, California Department of Housing and

Community Development (HCD), California Housing Finance Agency (CalHFA), etc.];

- The DDS Restrictive Covenant must be recorded ahead of all other lender documents regardless of the CPP fund amount, except for the senior lender; as mentioned above, the Department may subordinate to lenders, (such as CalHFA or HCD) that commit state or federal funds to the project;
- The Department must be identified in the loan documents as a residual receipt lender;
- The Department must be included as beneficiary in the property's title policy;
- All of the Department's CPP Loan Documents must have coterminous terms for at least 99 years; the Department may consider a different term;
- The Department's CPP Loans Documents must be consistent with these approved Housing Guidelines and templates including, but not limited to: the promissory note, deed of trust, regulatory agreement, escrow instructions and, as appropriate, a Department-approved subordination agreement, and assignment and assumption agreement;
- All lender loan documents including escrow instructions must be submitted to the Department, for review and comment, at least 90 days prior to the close of escrow;
- The RC, upon written approval by the Department, must deposit allocated CPP funds into an escrow account. The Department will provide approval for release of funds following review of the funding application and due diligence items;
- The RC can only release the deposited funds out of the escrow account after the Department's written approval. The Department will provide such approval in the Department's escrow instructions that must be used by the RC.

Loan Closing Documents

- Closing Checklist, signed by authorized person per resolution (to be developed);
- Pro forma title insurance;
- Proof of Property and Liability Insurance (must comply with the Department's insurance guidelines to be developed);
- All lenders' escrow instructions (the Department's format to be developed);
- Regulatory Agreement, Promissory Note, Deed of Trust with Rider to the Deed of Trust (the Department's formats to be developed);
- Subordination Agreement(s) (the Department's format to be developed);
- Certificate of Officers;
- Loan Authorization by Limited Partnership, as applicable;
- Lease Rider (the Department's format to be developed).